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IS 6-0016

JUN 20 1956

**MEMORANDUM FOR: Deputy Director (Support)****SUBJECT: Bonding of Agency Personnel**

**REFERENCES:**

- (a) Memorandum for DD/S from Chairman, Bond Committee, dated 26 January 1956; subject above
- (b) Memorandum for DD/S from GFD, dated 18 February 1956; subject "Bond Coverage"
- (c) Memorandum for the Record by DD/S, dated 6 October 1956; subject above

1. The committee has now completed its review of the types of positions within the Agency wherein protection of the Government's interest would appear to require bonding of incumbents. The positions reviewed fall into three general categories, as follows:

- a. Positions involving accountability for Vouchered Funds.
- b. Positions involving accountability for Confidential Funds.
- c. Positions involving accountability for Property.

2. With respect to positions involving accountability for vouchered funds, it is the opinion of the committee that security and operational considerations with respect to activities utilizing the funds are not such as to justify deviation from the bonding policy generally followed by other government agencies and/or prescribed by general legislation. It is the present practice that all Vouchered Fund Disbursing Officers, Imprint Fund Cashiers and Certifying Officers be bonded.

3. In the case of positions involving accountability for confidential funds, operational and security considerations have under prior bonding arrangements generally been such as to limit bonding to persons at Headquarters or under non-integral official cover. The present Position Schedule Bond does not require identification of individuals or locations in order to effect bond coverage. Thus the security problem in obtaining bond coverage has largely been overcome.

4. Although the new Position Schedule Bond recognizes the need for restrictions of security information in case of claims, it is possible that security limitations would, under most circumstances,

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severely limit our ability to recover under the bond. In case of a claim, it is quite apparent that successful prosecution of the claim would require divulgence of at least the identity and location of the person whose actions caused the claim to arise. In such case it is probable that security considerations would override claim requirements and efforts to collect under the bond would be precluded. This probability was recognized by Mr. William H. Frauke of the Special Study Group when he expressed the opinion that only Agent Cashiers and Certifying Officers should be bonded and that Official Custodians should not be (see ref. c.).

5. Even though it is doubtful that the Agency generally would be in a position to realize on a claim for loss of confidential funds under a bonding arrangement, there may, of course, be circumstances wherein prosecution of the claim might be undertaken. Also there appears to be some psychological advantage in bond coverage on persons charged with primary responsibility for funds. Accordingly, present policy provides, security permitting, for the bonding of Agent Cashiers, Inherent Fund Cashiers, Finance Officers responsible for the custody and control of funds (Agent Cashiers and Disbursing Officers), and Certifying Officers (see ref. c.).

6. The amounts for which various classes of persons are bonded currently under the Position Schedule Bond satisfy the requirements of pertinent statutes and regulations of the Treasury. They are also consistent with sound Government and business practice.

7. The committee has now concluded that the emphasis on personal responsibility provided by bond coverage is of such significance that all persons charged with primary responsibility for the use and custody of funds should be bonded, but that subordinate operational and administrative personnel delegated responsibility for custody of funds should not be bonded. The adoption of this policy will broaden present bond coverage to the extent that all Chiefs of Class B Stations and Bases (who, since no Finance Officers are assigned, serve as Principal Official Custodians under Agency regulations) will be bonded.

8. Although it is recognized that persons charged with accountability for property often assume major pecuniary liability as a result of such responsibility, bond coverage is not required by law nor recommended for these positions. This recommendation is based on the fact that security considerations limit the advantage accruing to the Agency for such coverage and the fact that general practice in other Government agencies (e.g., GSA) is not to bond such persons.

9. If the bonding policy stated above is approved, each incumbent of the positions requiring bond coverage will be required to furnish

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a form of bond application. This form will not be furnished to the bonding company, but will be retained in Agency files to support coverage under the bond and to assure that each person bonded is aware of the pecuniary liability he has assumed.

#### 10. RECOMMENDATIONS.

1. It is recommended that you approve a continuation of the present bonding policy, with the inclusion of Chiefs of Class B Stations and Bases under the Agency Position Schedule Bond. (For purposes of correspondence with the bonding company, they will be assimilated into the category of Assistant Area Disbursing Officers, a category in which Finance Officers currently are included.)

2. It is recommended that you delegate to the Comptroller the authority to reduce the bond of any Import Fund Cashier to \$1000 whenever it is not reasonably anticipated that the cashier in question will handle amounts greater than that sum at any one time.

3. It is recommended that you delegate to the Comptroller the authority to determine which jobs now or hereafter established within the Agency fall under the positions established by the Position Schedule Bond, and that you authorize the Comptroller to approve amendments to the bond consonant with the policies expressed in this memorandum.

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Chairman

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Office of General Counsel

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Finance Division

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Office of Security

\* Approval is given with the following qualifications:  
No names of Clandestine Services personnel at Headquarters or overseas, or of DD/S or DD/I personnel overseas will be at any time revealed to a bonding company or other outside component without prior specific DD/P concurrence; and that no claims will be prosecuted on the personnel enumerated in the foregoing without prior specific DD/P concurrence.

HGL

CONCURRENCE:

The recommendations contained in paragraph 10 are approved. \*

See Attachment

Deputy Director (Plans)

Date: 21 August 1956

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cc: *aug - Compt.*

Finance Div.

Fiscal Div.

Office of Security

cc: *accounting - 3*

Approved For Release 2003/03/06 : CIA-RDP58-00453R000300130053-1

*Longman*

/s/ H. Gates Lloyd

L. E. White

Act. Deputy Director (Support)

24 Aug 56

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ORIGINAL DOCUMENT MISSING PAGE(S):

No Attachment